

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Atlas	County Genessee
Fiscal Year End March 31, 2006	Opinion Date May 5, 2006	Date Audit Report Submitted to State August 2, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

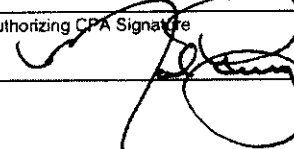
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number (517) 323-9500	
Street Address 6639 Centurion Drive, Suite 170		City Lansing	State MI
Zip 48917		License Number 1101018885	
Authorizing CPA Signature 		Printed Name Mark Perry	

Township of Atlas

Genesee County, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2006

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 - 1
3 Managements ' Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	4 – 1
Statement of Net Assets	4 – 3
Statement of Activities	
Fund Financial Statements	
Governmental Funds	4 - 4
Balance Sheet	
Reconciliation Fund Balances of Governmental Funds to Net Assets of	4 – 6
Governmental Activities	4 – 7
Statement of Revenues, Expenditures and Changes in Fund Balances	
Reconciliation of the Statement of Revenues, Expenditures and Changes	4 – 9
in Fund Balances of Governmental Funds to the Statement of Activities	
Fiduciary Funds	4 – 10
Statement of Assets and Liabilities	
Notes to Financial Statements	4 – 11

Section

Page

5 **Required Supplemental Information**

 Budgetary Comparison Schedule

 General Fund

 Fire Protection Fund

 Police Administrative Board

5 – 1

5 – 4

5 – 5

6 **Other Supplemental Information**

 Nonmajor Governmental Funds

 Combining Balance Sheet

 Combining Statement of Revenue, Expenditures and Changes in Fund Balance

6 – 1

6 – 2

 Schedule of Indebtedness

6 – 4

Township of Atlas
List of Elected and Appointed Officials
March 31, 2006

Township Board

Paul Amman – Supervisor

Ann Marie Slagle – Treasurer

Teresa L. Onica – Clerk

Barry June – Trustee

Scott Statson – Trustee

Independent Auditors' Report

To the Township Board
Township of Atlas
Goodrich, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Atlas as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Atlas as of March 31, 2006 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Atlas's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

May 5, 2006

Lansing, Michigan

Township of Atlas Management's Discussion and Analysis

Atlas Township (the "Township"), Michigan is in its second year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Overview of Financial Statements

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements:

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources

(short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-3) accounts for current year revenues and expenses regardless of when cash is received or

paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of the various townships' services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues,

Township of Atlas Management's Discussion and Analysis

expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire protection, police administrative, Green Ridge paving debt service and capital projects funds, each of which are considered to be a major fund. The sewer receiving, Atlas Meadows septic, building authority fire hall, and East Lake paving assessment are considered non major funds and are presented in a combined column for reporting purposes.

The Township adopts an annual appropriated budget for the general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary*

information, and other supplemental information concerning budgetary information for the Township's major funds.

SUMMARY OF NET ASSETS:

Township's Net Assets

The following summarizes the Township's net assets at fiscal year ended March 31, 2006 and 2005.

	2006	2005
Assets		
Current assets	\$ 3,021,779	\$ 2,923,789
Capital assets	1,954,821	1,863,843
Less accumulated depreciation	<u>(931,724)</u>	<u>(842,157)</u>
Total capital assets	<u>1,023,097</u>	<u>1,021,686</u>
Total assets	<u>4,044,876</u>	<u>3,945,475</u>
Liabilities		
Current liabilities	161,435	161,686
Long-term liabilities	<u>538,000</u>	<u>624,000</u>
Total liabilities	<u>699,435</u>	<u>785,686</u>
Net assets		
Investment in capital assets, net of related debt	663,097	616,686
Restricted	803,467	633,769
Unrestricted	<u>1,878,877</u>	<u>1,909,234</u>
Total net assets	<u>\$ 3,345,441</u>	<u>\$ 3,159,689</u>

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$185,752.

Township of Atlas Management's Discussion and Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township of Atlas, assets exceeded liabilities by \$3,345,441.

A portion of the Township's net assets reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Changes in Net Assets

Revenues:

	2006	2005
Program revenue		
Charges for services	\$ 373,614	\$ 420,959
Capital grants and contributions	156	60,174
General revenue:		
Property taxes	929,045	873,103
State shared revenue	405,408	396,750
Interest and investment earnings	89,648	33,605
Miscellaneous	69,811	56,765
Total revenues	<u>\$ 1,867,682</u>	<u>\$ 1,841,356</u>

Expenses:

	2006	2005
Expenses		
General government	\$ 461,634	\$ 408,570
Public safety	633,739	620,293
Public works	527,548	548,835
Community and Economic Development	24,112	24,878
Recreation and culture	8,583	4,952
Other	26,314	32,526
Total expenses	<u>1,681,930</u>	<u>1,640,054</u>
Change in net assets	185,752	201,302
Net assets - beginning	<u>3,159,689</u>	<u>2,958,387</u>
Net assets - ending	<u>\$ 3,345,441</u>	<u>\$ 3,159,689</u>

Governmental activities

The Township's total governmental revenue has increased by \$26,326 from last fiscal year. This was primarily attributed to a decrease in charge for services of \$47,345, federal grants of \$60,018, and offset by increases of other net revenues of \$13,046, property tax revenues of \$55,942, state shared revenues of \$8,658, and interest revenue of \$56,043. Expenses increased by \$41,876. The increases in general government expenditures of \$53,064, public safety of \$13,446, recreation and culture of \$3,631 were offset by a decrease in public works expenditures of \$21,287, community and economic development of \$766 and other program expenditures of \$6,212.

Township of Atlas Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,756,667 an increase of \$138,190. \$1,573,799 of the \$2,756,667 fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the Township's discretion.

The general fund is the main operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,573,799. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 158% of total general fund expenditures.

The fund balance of the General Fund increased by \$183,479 during the current fiscal year and is primarily attributable to current revenue exceeding expenses.

The fund balance of the Fire Protection Fund increased by \$54,948 during the current fiscal year and was due to revenues exceeding expenses.

The fund balance of the Police Administrative Board decreased by \$70,553 during the current fiscal year and was due to cost of services exceeding revenues.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was not amended during the year.

Capital Assets and Debt Administration :

Capital Assets

The Townships investment in capital assets for its governmental activities as of March 31, 2006 and 2005 amounted to \$1,023,097 and \$1,021,686 (net of accumulated depreciation), respectively. Investment in capital assets included land, buildings, and equipment.

	March 31, 2006	March 31, 2005
Capital assets not being depreciated		
Land	\$ 19,001	\$ 19,001
Capital assets being depreciated		
Buildings and improvements	1,065,715	999,581
Furniture and equipment	227,416	202,572
Vehicles	642,689	642,689
Capital assets	<u>1,954,821</u>	<u>1,863,843</u>
Less:		
Accumulated depreciation	<u>(931,724)</u>	<u>(842,157)</u>
Governmental activities capital assets, net	<u>\$ 1,023,097</u>	<u>\$ 1,021,686</u>

Township of Atlas Management's Discussion and Analysis

Long-term Debt

At the end of the current fiscal year, the Township had total long-term debt outstanding at March 31, 2006 and 2005 of \$538,000 and \$624,000, respectively.

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
General obligation bonds	\$ 360,000	\$ 405,000
Special assessments	<u>178,000</u>	<u>219,000</u>
	<u>\$ 538,000</u>	<u>\$ 624,000</u>

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- The State of Michigan is facing economic uncertainty with the loss of jobs in the economy and its future impact on the operating budget. For 2005-2006 the Township received \$405,408 in state shared revenue, representing 34% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Atlas Township, Genesee County, Michigan.

Township of Atlas
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,883,656
Certificate of deposit	745,816
Receivables	
Taxes	76,898
Customers	3,906
Special assessments	136,913
Accrued interest	13,582
Due from other units of government	67,277
Due from other funds	84,979
Prepaid items	8,752
Capital assets, net	<u>1,023,097</u>
 Total assets	 <u>4,044,876</u>
 Liabilities	
Accounts payable	147,440
Accrued and other liabilities	13,995
Noncurrent liabilities	
Due within one year	41,000
Due in more than one year	<u>497,000</u>
 Total liabilities	 <u>699,435</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	663,097
Restricted for:	
Debt service	130,196
Public safety	573,205
Sewer	100,066
Unrestricted	<u>1,878,877</u>
 Total net assets	 <u>\$ 3,345,441</u>

See Accompanying Notes to Financial Statements

				Net (Expense)
				Revenue and
				Changes in
				<u>Net Assets</u>
		<u>Program Revenues</u>		
			Operating	
			Grants and	
			Contributions	
	<u>Expenses</u>	<u>Charges for</u>		<u>Governmental</u>
		<u>Services</u>		<u>Activities</u>
Functions/Programs				
Governmental activities				
General government	\$ 461,634	\$ 247,474	\$ 156	\$ (214,004)
Public safety	633,739	15,936	-	(617,803)
Public works	527,548	103,218	-	(424,330)
Community and economic development	24,112	-	-	(24,112)
Recreation and culture	8,583	-	-	(8,583)
Interest on long-term debt	26,314	6,986	-	(19,328)
<u>Total governmental activities</u>	<u>1,681,930</u>	<u>373,614</u>	<u>156</u>	<u>(1,308,160)</u>
General revenues				
Property taxes				929,045
State shared revenue				405,408
Unrestricted investment earnings				89,648
Miscellaneous				69,811
<u>Total general revenues</u>				<u>1,493,912</u>
Change in net assets				<u>185,752</u>
Net assets - beginning of year				<u>3,159,689</u>
Net assets - end of year				\$ 3,345,441

Township of Atlas
Governmental Funds
Balance Sheet
March 31, 2006

		Special Revenue Funds		Debt Service Fund	Capital Projects Fund		
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Green Ridge Paving	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 1,025,398	\$ 456,890	\$ 166,972	\$ -	\$ 103,062	\$ 131,334	\$ 1,883,656
Certificate of deposit	745,816	-	-	-	-	-	745,816
Receivables							
Taxes	21,824	27,736	27,338	-	-	-	76,898
Customers	-	-	-	-	-	3,906	3,906
Special assessments	23,776	-	-	92,827	-	20,310	136,913
Accrued interest and other	13,582	-	-	-	-	-	13,582
Due from other units of government	67,277	-	-	-	-	-	67,277
Due from other funds	103,438	-	-	103,062	-	-	206,500
Prepaid items	8,752	-	-	-	-	-	8,752
Total assets	\$ 2,009,863	\$ 484,626	\$ 194,310	\$ 195,889	\$ 103,062	\$ 155,550	\$ 3,143,300

See Accompanying Notes to Financial Statements

Township of Atlas
Governmental Funds
Balance Sheet
March 31, 2006

		Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Green Ridge Paving		
Liabilities							
Accounts payable	\$ 42,668	\$ 7,991	\$ 96,781	\$ -	\$ -	\$ -	\$ 147,440
Accrued and other liabilities	13,995	-	-	-	-	-	13,995
Due to other funds	-	959	-	-	103,062	17,500	121,521
Deferred revenue	-	-	-	88,757	-	14,920	103,677
Total liabilities	<u>56,663</u>	<u>8,950</u>	<u>96,781</u>	<u>88,757</u>	<u>103,062</u>	<u>32,420</u>	<u>386,633</u>
Fund Balances							
Reserved for:							
Debt service	-	-	-	107,132	-	23,064	130,196
Special revenue funds	-	475,676	97,529	-	-	100,066	673,271
Unreserved							
Designated for:							
Working capital	167,481	-	-	-	-	-	167,481
Garbage service and	211,920	-	-	-	-	-	211,920
aquaweed control	-	-	-	-	-	-	-
Unreserved and undesignated	<u>1,573,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,573,799</u>
Total fund balances	<u>1,953,200</u>	<u>475,676</u>	<u>97,529</u>	<u>107,132</u>	<u>-</u>	<u>123,130</u>	<u>2,756,667</u>
Total liabilities and fund balances	<u>\$ 2,009,863</u>	<u>\$ 484,626</u>	<u>\$ 194,310</u>	<u>\$ 195,889</u>	<u>\$ 103,062</u>	<u>\$ 155,550</u>	<u>\$ 3,143,300</u>

Township of Atlas
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2006

Total fund balances for governmental funds	\$ 2,756,667
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,023,097
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	103,677
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(538,000)</u>
Net assets of governmental activities	<u>\$ 3,345,441</u>

Township of Atlas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2006

		Special Revenue Funds		Debt Service Fund		
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Other Governmental Funds	Governmental Funds Total
Revenues						
Taxes	\$ 345,341	\$ 289,986	\$ 293,718	\$ -	\$ -	\$ 929,045
Licenses and permits	56,225	-	468	-	-	56,693
Federal grants	156	-	-	-	-	156
State revenue sharing	405,408	-	-	-	-	405,408
Charges for services	259,001	-	-	6,016	36,435	301,452
Fines and forfeitures	-	-	15,468	-	-	15,468
Interest income	67,255	12,017	3,397	3,046	3,932	89,647
Special assessments	(1,443)	-	-	32,652	4,315	35,524
Other revenue	50,242	16	8	3	23,870	74,139
Total revenues	1,182,185	302,019	313,059	41,717	68,552	1,907,532
Expenditures						
Current						
General government	445,365	-	-	-	-	445,365
Public safety	53,520	123,309	383,612	-	-	560,441
Public works	442,281	-	-	-	85,267	527,548
Community and economic development	24,112	-	-	-	-	24,112
Recreation and culture	8,583	-	-	-	-	8,583
Capital outlay	24,845	66,134	-	-	-	90,979
Debt service						
Principal retirement	-	-	-	35,000	51,000	86,000
Interest and fiscal charges	-	-	-	10,729	15,585	26,314
Total expenditures	998,706	189,443	383,612	45,729	151,852	1,769,342

See Accompanying Notes to Financial Statements

Township of Atlas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2006

		Special Revenue Funds		Debt Service Fund	Other Governmental Funds	Governmental Funds Total
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving		
Excess (deficiency) of revenues over expenditures	183,479	112,576	(70,553)	(4,012)	(83,300)	138,190
Other financing sources (uses)						
Transfers in	-	-	-	-	57,628	57,628
Transfers out	-	(57,628)	-	-	-	(57,628)
Total other financing sources and uses	-	(57,628)	-	-	57,628	-
Net change in fund balance	183,479	54,948	(70,553)	(4,012)	(25,672)	138,190
Fund balance - beginning of year	1,769,721	420,728	168,082	111,144	148,802	2,618,477
Fund balance - end of year	<u>\$ 1,953,200</u>	<u>\$ 475,676</u>	<u>\$ 97,529</u>	<u>\$ 107,132</u>	<u>\$ 123,130</u>	<u>\$ 2,756,667</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - total governmental funds	\$ 138,190
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	
Capital outlay	(89,567) 90,978
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(39,849)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	<u>86,000</u>
Change in net assets of governmental activities	<u>\$ 185,752</u>

Township of Atlas
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2006

	Agency Funds
Assets	
Cash	\$ 85,793
Total assets	<u>\$ 85,793</u>
Liabilities	
Due to other funds	\$ 84,979
Due to other units of government	<u>814</u>
Total liabilities	<u>\$ 85,793</u>

Township of Atlas
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Atlas is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations.

The Township has implemented *GASB Statement No. 14, The Financial Reporting Entity and Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basis criterion of including a public authority in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agency by the governmental unit's elected officials, the selection of the governing authority, the designation of management, the ability to exert significant influence on operations.

Blended component unit

Atlas Township Building Authority (the "Building Authority") – The Building Authority is governed by a Board that is appointed by the Township supervisor. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The financial statements of the Building Authority are consolidated with the financial statements of the Township as follows:

- a. The assets of the Building Authority held for payment of the outstanding bond issue are reported in the Debt Service Funds.

- b. Fixed asset records (Township hall and fire station) of the Building Authority are maintained by the primary government.
- c. Remaining amounts due on bonds issued by the Building Authority are reported on the government wide financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Township of Atlas
Notes to Financial Statements
March 31, 2006

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Protection and Police Administrative Board Funds are special revenue funds and are restricted to expenditures for that purpose.

Debt Service Funds record the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds are financial resources to be used for the acquisition or construction of major capital facilities and infrastructure.

Additionally, the Township reports the following:

The Current Tax Collection Fund accounts for property taxes and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed both in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and

Township of Atlas
Notes to Financial Statements
March 31, 2006

other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposit is stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$303,806,795, on which ad valorem taxes consisted of 2.7026 mills for operating, fire, and police purposes. This resulted in \$821,068 for operating, fire, and police protection expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	5 to 7 years
Vehicles	5 to 7 years
Office equipment and furnishings	7 to 10 years
Computer equipment	5 years

Township of Atlas
Notes to Financial Statements
March 31, 2006

Long-term obligations – In the government-wide financial statements and fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township supervisor is required to submit to the Township Board a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means to finance them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments.
2. Prior to March 31, the budget was legally enacted through passage of a resolution.
3. The Township supervisor is authorized to transfer small budget amounts (no specified limit) between departments within any fund with subsequent Board ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Board. Annual appropriations lapse at fiscal year end.

Excess of expenditures over appropriations

Expenditures in violation of the Public Act 621 are disclosed as being over budget on the required supplemental information – budgetary comparison schedule of the general fund, fire protection fund, and police administrative board on pages 5-1 to 5-5.

Township of Atlas
Notes to Financial Statements
March 31, 2006

NOTE 3 - CASH AND DEPOSITS

At year end, the breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts)	\$ 135,348
Certificate of deposit	745,816
Bank investment pools	1,748,108
Petty cash and cash on hand	<u>200</u>
	<u>\$ 2,629,472</u>

As of year end, the government had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Bank Investment Pool	\$ 1,748,108	39 Days	AAAm, Aaa	S&P, Moody's

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within

the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 746,591 was exposed to custodial credit risk because it was uninsured and uncollateralized .

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government's investment policy, the government's investments are held by a counterparty and are not insured.

Township of Atlas
Notes to Financial Statements
March 31, 2006

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Special assessments	\$ 88,757	Green Ridge Paving
Special assessments	<u>14,920</u>	East Lake Paving
	<u>\$ 103,677</u>	

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	<u>103,677</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 19,001	\$ -	\$ -	\$ 19,001
Total capital assets not being depreciated	<u>19,001</u>	<u>-</u>	<u>-</u>	<u>19,001</u>
Capital assets being depreciated				
Buildings, additions and improvements	999,581	66,134	-	1,065,715
Machinery and equipment	202,572	24,844	-	227,416
Vehicles	642,689	-	-	642,689
Total capital assets being depreciated	<u>1,844,842</u>	<u>90,978</u>	<u>-</u>	<u>1,935,820</u>
Less accumulated depreciation for				
Buildings, additions and improvements	296,261	24,530	-	320,791
Machinery and equipment	33,422	34,988	-	68,410
Vehicles	512,474	30,049	-	542,523
Total accumulated depreciation	<u>842,157</u>	<u>89,567</u>	<u>-</u>	<u>931,724</u>
Net capital assets being depreciated	<u>1,002,685</u>	<u>1,411</u>	<u>-</u>	<u>1,004,096</u>
Governmental activities capital assets, net	<u>\$ 1,021,686</u>	<u>\$ 1,411</u>	<u>\$ -</u>	<u>\$ 1,023,097</u>

Township of Atlas
Notes to Financial Statements
March 31, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Atlas Meadows Septic	\$ 17,500
General	Fire Protection	959
General	Tax Collection Fund	84,979
Debt Service	Capital Projects	103,062
		<u>\$ 206,500</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund balances are included in the funds financial statements but have been eliminated from the government wide financial statements.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Fire Protection	Building authority	\$ <u>57,628</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Township of Atlas
Notes to Financial Statements
March 31, 2006

NOTE 7 - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities									
Bonds payable									
General obligation bonds									
2004 Building authority	\$ 445,000	2013	2.00 - 4.00%	\$40,000 - \$60,000	\$ 405,000	\$ -	\$ 45,000	\$ 360,000	\$ -
Special assessment obligations									
1999 Green Ridge Road Paving	360,000	2009	3.85 - 4.40%	\$35,000 - \$40,000	185,000		35,000	150,000	35,000
1999 East Lake Road Paving	57,000	2009	7.70%	\$5,000 - \$8,000	<u>34,000</u>	<u>-</u>	<u>6,000</u>	<u>28,000</u>	<u>6,000</u>
Total governmental activities					<u>\$ 624,000</u>	<u>\$ -</u>	<u>\$ 86,000</u>	<u>\$ 538,000</u>	<u>\$ 41,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	
<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 41,000	\$ 10,152
2008	87,000	17,884
2009	92,000	14,743
2010	98,000	11,126
2011	55,000	7,106
2012-2013	<u>165,000</u>	<u>9,968</u>
	<u>\$ 538,000</u>	<u>\$ 70,979</u>

Township of Atlas
Notes to Financial Statements
March 31, 2006

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Township offers qualified participants a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The AXA plan requires a vesting period of three years from the date of entry into the plan at a 15 percent contribution. The plan was effective December 21, 2004. The amount contributed by the Township during 2006 under the deferred compensation plan was \$ 27,723.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In addition, the Township has entered into a contract for policing services through September of 2006. The potential remaining balance on the contract is \$ 196,658 at March 31, 2006.

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 223,361	\$ 223,361	\$ 235,307	\$ 11,946
Administration fee	80,000	80,000	101,864	21,864
Licenses and permits	57,500	57,500	56,225	(1,275)
Federal grants	-	-	156	156
State revenue sharing	400,707	400,707	405,408	4,701
Charges for services	243,500	243,500	259,001	15,501
Fines and forfeitures	12,000	12,000	-	(12,000)
Interest income	10,100	10,100	67,255	57,155
Special assessments	-	-	(1,443)	(1,443)
Other revenue	23,000	23,000	50,242	27,242
Total revenues	<u>1,050,168</u>	<u>1,050,168</u>	<u>1,182,185</u>	<u>132,017</u>
Expenditures				
General government				
Township board	224,647	224,647	244,895	(20,248)
Supervisor	38,997	38,997	30,557	8,440
Election	18,047	18,047	5,992	12,055
Clerk	51,155	51,155	51,037	118
Board of review	2,500	2,500	1,350	1,150
Treasurer	47,655	47,655	46,022	1,633
Assessor	46,967	46,967	47,652	(685)
Cemetery	500	500	146	354
Buildings and grounds	25,000	25,000	17,714	7,286
Total general government	<u>455,468</u>	<u>455,468</u>	<u>445,365</u>	<u>10,103</u>

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public safety				
Fire department	-	-	727	(727)
Building inspection department	52,050	52,050	52,793	(743)
Total public safety	52,050	52,050	53,520	(1,470)
Public works				
Aqua weed	41,000	41,000	36,087	4,913
Drains	35,000	35,000	-	35,000
Highways, streets and bridges	200,000	200,000	177,402	22,598
Street lighting	10,000	10,000	9,272	728
Sanitary land fill	210,000	210,000	219,520	(9,520)
Total public works	496,000	496,000	442,281	53,719
Community and economic development				
Planning	34,300	34,300	21,925	12,375
Zoning	4,850	4,850	2,187	2,663
Total community and economic development	39,150	39,150	24,112	15,038
Recreation and culture				
Library	7,500	7,500	8,583	(1,083)
Total recreation and culture	7,500	7,500	8,583	(1,083)

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Capital outlay	-	-	24,845	(24,845)
Total expenditures	1,050,168	1,050,168	998,706	51,462
Excess of revenues over expenditures	-	-	183,479	183,479
Fund balance - beginning of year	1,769,721	1,769,721	1,769,721	-
Fund balance - end of year	<u>\$ 1,769,721</u>	<u>\$ 1,769,721</u>	<u>\$ 1,953,200</u>	<u>\$ 183,479</u>

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
Fire Protection Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 274,387	\$ 274,387	\$ 289,986	\$ 15,599
Interest income	3,000	3,000	12,017	9,017
Other revenue	-	-	16	16
Total revenues	<u>277,387</u>	<u>277,387</u>	<u>302,019</u>	<u>24,632</u>
Expenditures				
Public safety	350,959	350,959	123,309	227,650
Capital outlay	55,428	55,428	66,134	(10,706)
Transfers out	1,000	1,000	57,628	(56,628)
Total expenditures	<u>407,387</u>	<u>407,387</u>	<u>247,071</u>	<u>160,316</u>
Excess (deficiency) of revenues over expenditures	(130,000)	(130,000)	54,948	184,948
Fund balance - beginning of year	<u>420,728</u>	<u>420,728</u>	<u>420,728</u>	<u>-</u>
Fund balance - end of year	<u>\$ 290,728</u>	<u>\$ 290,728</u>	<u>\$ 475,676</u>	<u>\$ 184,948</u>

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
Police Administrative Board
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 278,648	\$ 278,648	\$ 293,718	\$ 15,070
Licenses and permits	-	-	468	468
Fines and forfeitures	3,500	3,500	15,468	11,968
Interest income	700	700	3,397	2,697
Other revenue	-	-	8	8
Total revenues	<u>282,848</u>	<u>282,848</u>	<u>313,059</u>	<u>30,211</u>
Expenditures				
Public safety	<u>404,516</u>	<u>404,516</u>	<u>383,612</u>	<u>20,904</u>
Total expenditures	<u>404,516</u>	<u>404,516</u>	<u>383,612</u>	<u>20,904</u>
Excess (deficiency) of revenues over expenditures	(121,668)	(121,668)	(70,553)	51,115
Fund balance - beginning of year	<u>168,082</u>	<u>168,082</u>	<u>168,082</u>	<u>-</u>
Fund balance - end of year	<u>\$ 46,414</u>	<u>\$ 46,414</u>	<u>\$ 97,529</u>	<u>\$ 51,115</u>

Township of Atlas
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2006

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Sewer Receiving Fund</u>	<u>Atlas Meadows Septic Fund</u>	<u>Building Authority Fire Hall</u>	<u>East Lake Paving Assessment</u>	
Assets					
Cash	\$ 93,045	\$ 15,225	\$ 3,578	\$ 19,486	\$ 131,334
Receivables					
Customers	3,906	-	-	-	3,906
Special assessments	-	5,390	-	14,920	20,310
	<u>-</u>	<u>5,390</u>	<u>-</u>	<u>14,920</u>	<u>20,310</u>
Total assets	<u>\$ 96,951</u>	<u>\$ 20,615</u>	<u>\$ 3,578</u>	<u>\$ 34,406</u>	<u>\$ 155,550</u>
Liabilities					
Due to other funds	\$ -	\$ 17,500	\$ -	\$ -	\$ 17,500
Deferred revenue	-	-	-	14,920	14,920
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,920</u>	<u>14,920</u>
Total liabilities	<u>-</u>	<u>17,500</u>	<u>-</u>	<u>14,920</u>	<u>32,420</u>
Fund Balances					
Reserved for:					
Debt service	-	-	3,578	19,486	23,064
Special revenue funds	96,951	3,115	-	-	100,066
	<u>96,951</u>	<u>3,115</u>	<u>-</u>	<u>-</u>	<u>100,066</u>
Total fund balances	<u>96,951</u>	<u>3,115</u>	<u>3,578</u>	<u>19,486</u>	<u>123,130</u>
Total liabilities and fund balances	<u>\$ 96,951</u>	<u>\$ 20,615</u>	<u>\$ 3,578</u>	<u>\$ 34,406</u>	<u>\$ 155,550</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2006

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Sewer Receiving Fund	Atlas Meadows Septic Fund	Building Authority Fire Hall	East Lake Paving Assessment	
Revenues					
Charges for services	\$ 35,465	\$ -	\$ -	\$ 970	\$ 36,435
Interest income	3,798	-	30	104	3,932
Special assessment	-	-	-	4,315	4,315
Other revenue	-	23,870	-	-	23,870
Total revenues	39,263	23,870	30	5,389	68,552
Expenditures					
Public works	62,800	22,467	-	-	85,267
Debt service					
Principal retirement	-	-	45,000	6,000	51,000
Interest and fiscal charges	-	-	12,628	2,957	15,585
Total expenditures	62,800	22,467	57,628	8,957	151,852
Excess (deficiency) of revenues over expenditures	(23,537)	1,403	(57,598)	(3,568)	(83,300)

See Accompanying Notes to Financial Statements

Township of Atlas
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2006

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Sewer Receiving Fund	Atlas Meadows Septic Fund	Building Authority Fire Hall	East Lake Paving Assessment	
Other financing sources (uses)					
Transfers in	-	-	57,628	-	57,628
Total other financing sources and uses	-	-	57,628	-	57,628
Net change in fund balance	(23,537)	1,403	30	(3,568)	(25,672)
Fund balance - beginning of year	120,488	1,712	3,548	23,054	148,802
Fund balance - end of year	<u>\$ 96,951</u>	<u>\$ 3,115</u>	<u>\$ 3,578</u>	<u>\$ 19,486</u>	<u>\$ 123,130</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Other Supplemental Information
Schedule of Indebtedness
March 31, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Semi-Annual Interest Payments		Total
				May 1st	Nov 1st	
Governmental Activities	2.00%	2006	-	-	5,864	5,864
2004 Building Authority	2.25%	2007	45,000	5,864	5,358	56,222
Amount of issue - \$ 445,000	2.70%	2008	45,000	5,358	4,750	55,108
	3.00%	2009	50,000	4,750	4,000	58,750
	3.25%	2010	55,000	4,000	3,106	62,106
	3.50%	2011	50,000	3,106	2,231	55,338
	3.75%	2012	55,000	2,231	1,200	58,431
	4.00%	2013	60,000	1,200	-	61,200
			<u>\$ 360,000</u>	<u>\$ 26,509</u>	<u>\$ 26,509</u>	<u>\$ 413,018</u>
	7.70%	2006	6,000	-	1,078	7,078
1999 East Lake Paving	7.70%	2007	7,000	847	847	8,694
Amount of issue - \$ 57,000	7.70%	2008	7,000	578	577	8,155
	7.70%	2009	8,000	308	308	8,616
			<u>\$ 28,000</u>	<u>\$ 1,733</u>	<u>\$ 2,810</u>	<u>\$ 32,543</u>
	4.15%	2006	35,000	-	3,210	38,210
1999 Green Ridge Paving	4.25%	2007	35,000	2,484	2,484	39,968
Amount of issue - \$ 360,000	4.30%	2008	40,000	1,740	1,740	43,480
	4.40%	2009	40,000	880	880	41,760
			<u>\$ 150,000</u>	<u>\$ 5,104</u>	<u>\$ 8,314</u>	<u>\$ 163,418</u>



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May 5, 2006

To the Members of the Township Board
Township of Atlas

In planning and performing our audit of the basic financial statements of the Township of Atlas, Michigan for the year ended March 31, 2006; we considered its internal control system in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls. As a result of the aforementioned study, we became aware of several issues regarding compliance and internal controls that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 5, 2006, on the financial statements of the Township of Atlas.

Current Year Comments and Recommendations

ACCOUNTING POLICY AND PROCEDURES MANUAL

We suggest the Township Board appoint a committee to begin a process to document policies and procedures relating to accounting, record keeping, investments, credit cards, and financial decision making. We continue to encourage the Township Board to take an active role in the development of policies and procedures that are specific to your Township to ensure consistency in financial record keeping and reporting into the future.

INTERFUND DUE TO'S AND DUE FROM'S

We noted that the Township's unadjusted interfunds due between the sewer and general funds were not in balance. This issue was caused by the recording of incorrect manual journal entries. The proper use of the interfund control account serves as a balancing record of the receivables and payables owed among the Township funds. An error in recording of the interfund receivable and payable accounts causes an error in the corresponding funds' revenue and expenses.

To ensure that the interfund Due To and Due From accounts are in balance and that recording errors are identified and corrected, we recommend that the Township perform a monthly reconciliation of related Due To and Due From accounts.

GREEN RIDGE SPECIAL ASSESSMENT COLLECTIONS

We noted that special assessment collections for the Green Ridge Paving are still being recorded in the capital projects fund rather than the debt service fund.

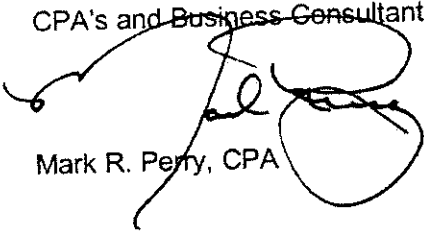
Subsequent to year end, management changed to the proper fund for recording the transactions.

This report is intended solely for the use of management and should not be used for any other purposes. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Township Board, is a matter of public record.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or to assist you in implementing any of these matters or other accounting or reporting issues for which you would like additional information or guidance.

Sincerely,

YEO & YEO, P.C.
CPA's and Business Consultants



Mark R. Perry, CPA

MRP:Its